

## Message Text

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E.O. 11652: N/A

TAGS: ENRG

SUBJECT: IEA: SLT CHAIRMAN'S NOTE ON THE PROGRAM FOR  
LONG TERM COOPERATION

1. ACTION ADDRESSEES ARE REQUESTED TO DELIVER PROMPTLY TO APPROPRIATE HOST GOVERNMENT OFFICIAL THE FOLLOWING TEXT WHICH IS A REPORT TO GOVERNING BOARD CHAIRMAN DAVIGNON FROM STEPHEN W. BOSWORTH, CHAIRMAN OF THE STANDING GROUP ON LONG TERM COOPERATION. BRUSSELS PLEASE DELIVER TO DAVIGNON. OECD PARIS PLEASE DELIVER TO IEA SECRETARIAT. THE ANNEXES REFERRED TO IN THE REPORT HAVE ALREADY BEEN GIVEN TO SLT DELEGATIONS.

BEGIN QUOTE: SLT CHAIRMAN'S NOTE ON THE PROGRAM FOR LONG TERM COOPERATION. MR. CHAIRMAN: IN ACCORDANCE WITH THE GOVERNING BOARD DECISION OF MARCH 20, 1975, THE SLT HAS ELABORATED FOR CONSIDERATION BY THE GOVERNING BOARD A PROPOSED PROGRAM FOR LONG TERM COOPERATION (ANNEX I). THE DRAFT TEXT PROVIDED IN THE ANNEX HAS OF COURSE BEEN PUT FORWARDED ON A COMPLETELY AD REFERENDUM BASIS BY THE SLT. THOSE ISSUES AND QUESTIONS ON WHICH THE SLT WAS NOT ABLE TO REACH CONSENSUS ARE INDICATED BY EITHER BRACKETED LANGUAGE OR ALTERNATIVE FORMULATIONS.

SUMMARY: IN LABORATING THE DRAFT TEXT, THE SLT CONCENTRATED ON DEVELOPING A PROGRAM WHICH WOULD (1) MEET THE

AGENCY'S OBJECTIVES IN THE FIELD OF LONG-TERM COOPERATION AS SET FORTH IN THE MARCH 20 DECISION AND THE INTERNATIONAL ENERGY PROGRAM AND (2) ESTABLISH AN EQUITABLE BALANCE OF COSTS AND BENEFITS AMONG THE PARTICIPATING COUNTRIES. GIVEN THE DIVERSITY AMONG THE PARTICIPATING COUNTRIES IN LEVELS OF ECONOMIC DEVELOPMENT, PATTERNS OF ENERGY USE, AND ENERGY RESOURCE POTENTIAL, THE ISSUE OF COSTS AND BENEFITS CANNOT BE INDICATED IN ANY ONE OF THE ELEMENTS OF THE OVERALL PROGRAM; RATHER, POTENTIAL COSTS AND BENEFITS ARE LIMITED OFFICIAL USE  
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FITS MUST BE MEASURED IN THE CONTEXT OF THE OVERALL PROGRAM OF LONG TERM COOPERATION.

SOME DELEGATIONS STRESSED DURING THE SLT'S WORK ON THE DRAFT TEXT THE NEED, AS SPECIFIED IN THE MARCH 20 DECISION TO TAKE ACCOUNT OF DEVELOPMENTS IN THE PRODUCER/CONSUMER DIALOGUE.

IN THE SECOND SECTION OF THIS COVERING NOTE, I HAVE ATTEMPTED TO IDENTIFY ON A CHAPTER BY CHAPTER BASIS THE MAJOR UNRESOLVED ISSUES IN THE DRAFT TEXT. MANY OF THESE ARE INTER-RELATED, AND DECISIONS TAKEN ON ONE WILL DIRECTLY AFFECT DECISIONS TO BE TAKEN ON OTHERS.

THE MAJOR ISSUES ON WHICH GOVERNING BOARD DECISIONS ARE REQUIRED ARE:

1) THE LEVEL OF THE PRICE TO BE ESTABLISHED AS A GENERAL MEASURE OF COOPERATION IN CHAPTER III B. (THE SLT DID NOT ATTEMPT TO DETERMINE A SPECIFIC LEVEL. HOWEVER, THE REPORT OF THE AD HOC GROUP ON ACCELERATED DEVELOPMENT DOES PROVIDE A COMPREHENSIVE COLLATION OF POTENTIAL IEA ALTERNATIVE ENERGY SUPPLIES AND AT VARYING COSTS. THIS REPORT SHOULD SERVE AS AN ANALYTICAL BASE FOR GOVERNING BOARD DELIBERATIONS OF THE LEVEL OF A MINIMUM SAFEGUARD PRICE.)

2) THE DEFINITION OF IMPORTED OIL.

3) REGIME FOR SELECTION AND POSSIBLE REVIEW OF MECHANISMS WHICH WOULD BE EMPLOYED BY GOVERNMENTS TO MEET THE COMMITMENT ON A GENERAL MEASURE OF COOPERATION.

4) NATURE OF THE BASIC UNDERSTANDING IN THE REMOVAL OF OBSTACLES TO ENERGY DEVELOPMENT AND THE ELIMINATION OF DISCRIMINATORY PRACTICES IN TRADE, INVESTMENT, ETC. SOME DELEGATIONS RESERVED THEIR POSITIONS ON THE ENTIRE CHAPTER DEALING WITH THESE ISSUES.

THE DECISIONS ON A NUMBER OF THESE ISSUES WILL BE LARGELY DETERMINED BY THE AGREEMENT REACHED ON "PREPOSITIONING" LIMITED OFFICIAL USE  
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OR "FLEXIBILITY", I.E. WHETHER THERE SHOULD BE A REQUIREMENT FOR GOVERNMENTS BY A GIVEN DATE TO IDENTIFY MECHANISMS AND OBTAIN AUTHORITY TO APPLY THEM.

THE GOVERNING BOARD DELIBERATIONS ON THIS ISSUE SHOULD TAKE INTO ACCOUNT (1) POSSIBLE ADVANTAGES IN TERMS OF GATT, ETC OF A "FLEXIBLE" APPROACH; AND (2) THE NEED TO OFFER AN ADEQUATE DEGREE OF ASSURANCE TO BOTH IEA INVESTORS AND OTHER IEA PARTICIPATING COUNTRIES THAT EACH PARTICIPATING COUNTRY WILL IN FACT BE ABLE TO MEET THE COMMITMENT NOT TO ALLOW IMPORTED OIL TO BE SOLD DOMESTICALLY BELOW A SPECIFIED MINIMUM PRICE. THERE ARE OTHER QUESTIONS ON WHICH THE SLT WAS NOT ABLE TO REACH CONSENSUS. BUT MANY OF THESE DEPEND DIRECTLY OR INDIRECTLY ON THE RESOLUTION OF THE FOUR MAJOR ISSUES LISTED ABOVE.

CHAPTER IV ON R&D COOPERATION REMAINS TO BE COMPLETED. THE SLT AGREED TO WAIT UNTIL AFTER THE JUNE 20 MEETING OF THE R&D SUBGROUP TO DISCUSS THE FRAMEWORK WHICH SHOULD BE PROVIDED IN THE OVERALL AGREEMENT FOR COOPERATION IN THIS FIELD.

IT WAS ALSO CONSIDERED ADVISABLE TO DEFER DRAFTING OF A GENERAL PROVISIONS SECTION REGARDING, INTER ALIA, ENTRY INTO FORCE AND VOTING UNTIL THE GOVERNING BOARD HAD CONSIDERED THE PRESENT PROPOSAL.

CHAPTER I - GENERAL PURPOSES: THIS CHAPTER SETS FORTH THE GENERAL PURPOSES AND OBJECTIVES OF THE AGREEMENT. UNRESOLVED ISSUES ARE:

1. ITEM D - THE NATURE OF THE BASIC UNDERSTANDING WITH REGARD TO REMOVAL OF OBSTACLES TO ENERGY DEVELOPMENT AND ELIMINATION OF DISCRIMINATORY PRACTICES. (SEE CHAPTER V.)

2. WHETHER THE AGREEMENT SHOULD PROVIDE FOR THE ESTABLISHMENT OF MEDIUM AND LONG TERM AGENCY OBJECTIVES FOR THE REDUCTION OF DEPENDENCE ON IMPORTED OIL.

SOME DELEGATIONS MAINTAINED THAT THE ESTABLISHMENT OF SUCH LIMITED OFFICIAL USE  
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OBJECTIVES--WHICH WOULD NOT IMPOSE BINDING OBLIGATIONS ON GOVERNMENTS--WOULD PROVIDE AN ESSENTIAL MEASUREMENT OF PROGRESS TOWARD IEA GOALS AND THE ACTUAL COSTS AND BENEFITS ACCRUING TO INDIVIDUAL COUNTRIES FROM LONG TERM COOPERATION.

SOME DELEGATIONS ARGUED THAT THE SETTING OF SUCH OBJECTIVES WOULD BE IMPRACTICABLE, AND WOULD IMPLY THAT REDUCED DEPENDANCE WAS THE ONLY GOAL OF LONG TERM COOPERATION, IGNORING SUCH GOALS AS SECURITY OF SUPPLY, REASONABLE PRICES, ETC.

CHAPTER II - CONSERVATION: THIS CHAPTER REITERATES THE COMMITMENT IN THE IEP AGREEMENT AS ELABORATED IN THE GOVERNING BOARD'S DECISION OF FEBRUARY 7. PARTICIPATING COUNTRIES AGREE TO ESTABLISH NATIONAL PROGRAMS AND UNDERTAKE COOPERATIVE MEASURES IN CONSERVATION TO REDUCE THE GROWTH OF ENERGY CONSUMPTION OF THE GROUP.

THE BRACKETED SECTION IN THE FIRST PARAGRAPH, REGARDING THE INTERDEPENDENCE BETWEEN ENERGY PRICE AND ENERGY DEMAND REFLECTS A DIFFERENCE OF VIEW OVER HOW SPECIFICALLY THE AGREEMENT SHOULD DEFINE THE MEANS TO ACHIEVE CONSERVATION. THE CHAPTER LEAVES OPEN THE DATES BY WHICH:

--THE GOVERNING BOARD SHALL ESTABLISH CONSERVATION OBJECTIVES FOR THE GROUP FOR 1980 AND 1985, AND

--THE DATE EACH YEAR BY WHICH THE SLT SHOULD PROPOSE TO THE GOVERNING BOARD CONSERVATION OBJECTIVES

FOR THE GROUP FOR THE SUCCEEDING YEAR.

CHAPTER III - ACCELERATED PRODUCTION OF ENERGY: THIS CHAPTER INCORPORATES THE COMMITMENT OF PARTICIPATING COUNTRIES TO PURSUE NATIONAL PROGRAMS AND TO UNDERTAKE COOPERATIVE MEASURES AND PROGRAMS TO STIMULATE AND INCREASE THE PRODUCTION OF ALTERNATIVE SOURCES OF ENERGY.

A. OVERALL FRAMEWORK OF COOPERATION ON ENERGY.

PROJECTS: THIS FRAMEWORK CONSISTS OF THREE MAJOR PROGRAM LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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ELEMENTS AND A REVIEW COMMITMENT:

--CLEARINGHOUSE FOR INFORMATION ON ENERGY POLICIES AND PROGRAMS AND ON POSSIBLE COOPERATIVE ENERGY PROJECTS,

--PROCEDURES FOR THE PROMOTION AND CONSUMMATION OF COOPERATIVE PROJECTS, AND

--GUIDING PRINCIPLES ON THE TERMS AND CONDITIONS FOR COOPERATIVE PROJECTS TO BE PREPARED BY THE SLT FOR DECISION BY THE GOVERNING BOARD BY JANUARY 1, 1976.

THE BRACKETS IN PARAGRAPH 2 REFLECT A PROBLEM OF DRAFTING RATHER THAN OF SUBSTANCE. IT IS GENERALLY AGREED THAT (A) EACH PARTICIPATING COUNTRY SHOULD MAKE EFFORTS TO PROMOTE COOPERATIVE PROJECTS, IT BEING UNDERSTOOD THAT PARTICULAR CIRCUMSTANCES WILL INFLUENCE THE POSSIBILITIES FOR ACHIEVING CONCRETE RESULTS, AND (B) EACH PARTICIPATING COUNTRY SHOULD HAVE A FREE CHOICE IN DETERMINING WHETHER OR NOT TO SUPPORT (AND BRING WITHIN THE FRAMEWORK) ANY PARTICULAR PROJECT; THIS WOULD BE THE CASE FOR PROJECTS INVOLVING EITHER PRIVATE OR PUBLIC PARTIES IN ITS JURISDICTION, OR BOTH.

ONE BRACKETED PHRASE INCLUDES THE PROPOSAL OF ONE DELEGATION THAT THE AGENCY WILL PROVIDE ASSISTANCE IN OBTAINING CONCESSION LICENSES." SEVERAL DELEGATIONS DOUBTED THAT THE AGENCY COULD PLAY A USEFUL ROLE IN THIS PROCESS.

THIS SECTION ALSO PROVIDES THAT THE IEA WILL ENDEAVOR TO DEVELOP A FIRST SET OF CONCRETE COOPERATIVE PROJECTS BY A DATE TO BE SELECTED.

THE DYNAMIC NATURE OF IEA COOPERATION WAS ESPECIALLY RECOGNIZED IN THIS SECTION OF THE AGREEMENT. SEVERAL DELEGATIONS STRESSED THAT UNDERTAKINGS BY GOVERNMENTS TO EXPEND FUNDS OR ASSUME CONTINGENT LIABILITY SHOULD BE VOLUNTARY, NOT MANDATORY, I.E. ON A PROJECT BY PROJECT

BASIS. HOWEVER, IT WAS GENERALLY NOTED THAT THE AGENCY  
COULD WELL DECIDE TO EXPAND ITS ACTIVITY IN THIS IMPORTANT  
AREA OF COOPERATION AT A LATER DATE EITHER BY EXPANSION OF  
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THE FACILITIES ALREADY ESTABLISHED OR BY THE CREATION OF  
NEW FACILITIES.

PROPOSALS FOR ADDITIONAL TYPES OF COOPERATION IN PROVIDING  
SPECIFIC MEASURES OF ASSISTANCE THROUGH INVESTMENT INSUR-  
ANCE AND LOAN GUARANTEE PROGRAMS WERE ADVANCED BY THE  
DELEGATIONS OF DENMARK AND TURKEY. THE SLT DISCUSSION OF  
THEM DID NOT INDICATE THAT THESE PROPOSALS ENJOY WIDE  
SUPPORT AMONG PARTICIPATING COUNTRIES AT THIS TIME, BUT  
IT WAS AGREED THEY SHOULD BE SUBMITTED TO THE GOVERNING  
BOARD AS A SEPARATE ANNEX TO THIS REPORT (ANNEX II).

#### B. GENERAL MEASURES.

1. STATEMENT OF COMMITMENT: THE SLT REACHED A WORKING  
CONSENSUS ON THE FORMULATION OF THE BASIC COMMITMENT AS  
SET FORTH ON CHAPTER III, B. (MINIMUM SAFEGUARD PRICE--  
MSP--IS SOMETIMES USED FOR CONVENIENCE AS AN UNOFFICIAL  
AND NON-AGREED TERM TO DESCRIBE THIS COMMITMENT.)

AS NOTED ABOVE, THE SLT DID NOT ATTEMPT TO DETERMINE THE  
ACTUAL LEVEL AT WHICH THE MSP SHOULD BE FIXED.

A. FOB-CIF: UNRESOLVED IS THE QUESTION OF WHETHER THE  
MSP SHOULD BE EXPRESSED IN TERMS OF A PRICE CORRESPONDING  
TO AN FOB OR CIF VALUATION. A LARGE NUMBER OF DELEGATIONS  
FAVORED THE FOB FORMULATION BECAUSE IT APPEARS LIKELY TO

BE LESS COMPLEX TO ADMINISTER.

ALSO IT WAS NOTED THAT

USE OF A CIF FORMULATION WOULD, WHEN THE PRICE OF IMPORTED  
OIL FELL BELOW THE MSP, ELIMINATE FREIGHT DIFFERENTIALS  
AND THUS CAUSE A DISTORTION OF HISTORIC TRADE PATTERNS.  
BUT SOME DELEGATIONS ASKED THAT THE ISSUE BE KEPT OPEN  
SINCE THEY WANTED MORE TIME FOR STUDY IN CAPITALS.

A MORE DETAILED ELABORATION OF THE FOB FORMULATION, WHICH  
APPEARS TO BE USEFUL, WAS PRESENTED AT THE END OF THE  
MEETING. IT WOULD ADD A SENTENCE AS FOLLOWS: "THE COR-  
RESPONDING DOMESTIC PRICES WILL BE BASED ON THIS FOB  
PRICE TAKING ACCOUNT OF TRANSPORTATION AND INSURANCE COSTS  
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AND PRICE DIFFERENTIALS AMONG VARIOUS TYPES OF OIL." FOR EITHER FORMULATION, FURTHER TECHNICAL STUDY WILL BE NEEDED TO DETERMINE WHICH CRUDE OR CRUDES WILL BE USED AS A REFERENCE POINT ("THE MARKER CRUDE").

B. CURRENCY OF DENOMINATION OF THE MSP: THE MSP MUST BE DENOMINATED IN SOME CURRENCY FOR CONVERSION INTO THE CURRENCIES OF THE PARTICIPATING COUNTRIES. TWO MAIN OPTIONS WERE DISCUSSED BY THE SLT: DENOMINATION IN US DOLLARS AND DENOMINATION IN SDR. ONE DELEGATION STATED THAT THE IEA SHOULD CONSIDER CAREFULLY WHETHER A DECISION TO DENOMINATE THE MSP IN SDR MIGHT AFFECT CURRENT OPEC DELIBERATIONS ON THE CURRENCY OF DENOMINATION FOR THEIR SALES. OTHER DELEGATIONS BELIEVED THAT THESE TWO QUESTIONS WERE NOT RELATED AND THAT THE IEA DECISION SHOULD BE MADE IN TERMS OF WHICH DENOMINATION WOULD BE MOST EFFICIENT FOR THE MSP. THESE DELEGATIONS EXPRESSED PRELIMINARY PREFERENCE FOR THE SDR, POINTING OUT THAT DENOMINATION IN SDR WOULD TEND TO REDUCE THE EXCHANGE RATE RISK FOR INVESTORS AS WELL AS MINIMIZE ANY POTENTIAL DISPARITY AMONG THE NATIONAL CURRENCY DENOMINATED-MSPS AS A RESULT OF EXCHANGE RATE FLUCTUATIONS VIS-A-VIS THE MSP-CURRENCY.

GWM DEFINITION OF OIL: DELEGATIONS AGREED THAT THE TERM "OIL" INCLUDES CRUDE OIL AND REFINERY FEEDSTOCKS.

THERE WAS NO AGREEMENT IN THE SLT WHETHER IT SHOULD ALSO INCLUDE PETROLEUM PRODUCTS FROM THE BEGINNING. THOSE DELEGATIONS WHICH OPPOSED THE INITIAL INCLUSION OF PRODUCTS ARGUED THAT DIFFICULT, IF NOT IMPOSSIBLE, TECHNICAL PROBLEMS WOULD HAVE TO BE SOLVED FIRST AND THAT IMPORTS OF PRODUCTS WERE NOT SIGNIFICANT AT THIS TIME. (SEE OPTION 2).

DELEGATIONS IN FAVOR OF INITIALLY INCLUDING PRODUCTS IN THE SYSTEM ARGUED THAT THIS WAS ESSENTIAL TO THE INTEGRITY AND EFFECTIVENESS OF THE GENERAL MEASURES AND THAT THE ASSOCIATED TECHNICAL PROBLEMS WERE SOLUBLE. AT LEAST ONE MAJOR CONSUMER PRESENTLY IMPORTS ABOUT 40 PERCENT OF ITS PETROLEUM IN THE FORM OF PRODUCTS AND THEIR EXCLUSION, THEREFORE, WOULD SEVERELY REDUCE THE EFFECTIVE LEVEL OF LIMITED OFFICIAL USE  
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PROTECTION OF THE MSP. IT WAS ALSO ARGUED THAT EXCLUSION OF PRODUCTS WOULD GIVE ARTIFICIAL ENCOURAGEMENT TO DOWNSTREAM PROCESSING IN THE PRODUCING COUNTRIES AND OTHER NON-IEA AREAS. (SEE OPTION 1.)

TWO DELEGATIONS NOTED THAT THEY WOULD WANT TO EXCLUDE FROM THE TERM "PETROLEUM PRODUCTS" THOSE PRODUCTS WHICH SERVE AS FEEDSTOCKS FOR PETROCHEMICAL PROCESSES.

ONE DELEGATION EXPRESSED ITS VIEW THAT IT DID NOT CONSIDER LIQUIFIED PETROLEUM GAS (LPG) INCLUDED WITHIN THE MEANING OF THE TERM "PETROLEUM PRODUCTS", AND THAT LPG WAS NOT COVERED BY THE INTERNATIONAL ENERGY AGREEMENT. ANOTHER DELEGATION RESPONDED THAT LPG WAS CONVENTIONALLY CONSIDERED AMONG "FINISHED PRODUCTS PRODUCED IN ASSOCIATION WITH CRUDE OIL OR NATURAL GAS."

IT WAS AGREED THAT IF PROTECTION WERE TO BE EXTENDED TO REFINED PRODUCTS, THE LEVEL OF PROTECTION SHOULD BE EQUIVALENT TO THE VALUE OF THEIR CRUDE OIL OR REFINERY FEED-STOCK COMPONENT.

FURTHER STUDY OF THE WAY IN WHICH THIS PRINCIPLE WOULD BE APPLIED WAS DEEMED NECESSARY.

3. DEFINITION OF IMPORTED OIL: THERE ARE TWO BASIC ALTERNATIVE DEFINITIONS OF IMPORTED OIL, EACH OF WHICH COULD BE MODIFIED BY ONE OR MORE EXCEPTIONS:

OPTION 1: ALL OIL DESTINED FOR SALE IN A PARTICIPATING COUNTRY WHICH HAS BEEN PRODUCED OUTSIDE THAT COUNTRY, OR

OPTION 2: ALL OIL ENTERING THE CUSTOMS TERRITORY OF A PARTICIPATING COUNTRY WHICH HAS BEEN PRODUCED OUTSIDE THE IEA AREA.

THE ADVANTAGES AND DISADVANTAGES OF THESE TWO BASIC OPTIONS ARE ANALYZED IN DETAIL IN THE SLT WORKING PAPERS IEA/WP (75) 16.

SEVERAL DELEGATIONS EXPRESSED A STRONG PREFERENCE FOR OPTION 1 ON THE GROUNDS THAT IT:  
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-- MAY WELL INVOLVE FEWER GATT PROBLEMS SINCE OIL IMPORTS FROM ALL COUNTRIES WOULD BE TREATED EQUALLY;

-- WOULD BE VIEWED AS LESS CONFRONTATIONAL THAN OPTION 2;  
AND

-- WOULD  
BE ADMINISTRATIVELY SIMPLER SINCE PROBLEMS OF DETERMINING THE ORIGIN OF IMPORTED OIL WOULD BE SUBSTANTIALLY REDUCED.

SEVERAL OTHER DELEGATIONS EXPRESSED STRONG PREFERENCE FOR OPTION 2 ON THE GROUNDS THAT IT WOULD:

-- DEMONSTRATE A HIGH DEGREE OF IEA SOLIDARITY;



-- CONFER A LARGER MEASURE OF PROTECTION AGAINST DOWN-SIDE RISK FOR IEA INVESTMENT IN ENERGY PRODUCTION SINCE IEA PRODUCED OIL WOULD BE TRADED WITHIN THE IEA AREA AT, OR IF THE IEA PRODUCER SO WISHED, BELOW THE MSP.

THE LATTER GROUP OF DELEGATIONS ALSO POINTED OUT THAT IEA POTENTIAL EXPORTERS, WOULD GET NO INCENTIVE FROM THE MSP TO PRODUCE

OIL FOR SALE TO OTHER IEA COUNTRIES AND THEREBY CONTRIBUTE FURTHER TO DOWNWARD PRESSURE ON WORLD PRICES, UNLESS THEY COULD BE ASSURED OF A PROTECTED IEA MARKET AT THE MSP LEVEL. THEY ALSO ARGUED THAT PRODUCTION FOR INTRA-IEA TRADE WOULD NOT BE ENCOURAGED BY A SYSTEM WHICH ALLOWED IEA IMPORTING COUNTRIES TO FAVOR NON-IEA SOURCES FOR IMPORTS AFTER A BREAK IN THE WORLD PRICE. THIS REASONING LED SOME DELEGATIONS TO FAVOR A COMMON MEASURE OF PROTECTION TO BE APPLIED BY ALL PARTICIPATING COUNTRIES.

OTHER DELEGATIONS NOTED THAT THIS WOULD MEAN THAT IEA PRODUCERS, NOT IEA IMPORTERS, WOULD CAPTURE THE ECONOMIC RENTS RESULTING FROM A DROP IN THE WORLD PRICE BELOW THE LEVEL OF THE MSP.

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THERE ARE CERTAIN EXCEPTIONS TO THESE BASIC DEFINITIONS WHICH, IF ADOPTED, WOULD TEND TO NARROW THE DIFFERENCES BETWEEN THEM. FOR EXAMPLE, UNDER OPTION 1, TIL TRADED BETWEEN PARTICIPATING COUNTRIES WHICH ARE MEMBERS OF CUSTOMS UNIONS OR FREE TRADE AREAS WOULD NOT BE TREATED AS IMPORTED OIL PURSUANT TO ONE EXCEPTION. IN FACT, THIS EXCEPTION WOULD BE PREDETERMINED BY THE OBLIGATIONS ALREADY EXISTING AMONG PARTICIPATING COUNTRIES WHICH ARE MEMBERS OF THE EC OR ASSOCIATED WITH THE EC THROUGH FREE TRADE AGREEMENTS. THEREFORE, THE ADOPTION OF OPTION 1, WITH THIS EXCEPTION --OBLIGATORY FOR SOME-- WOULD PROVIDE AN OPPORTUNITY TO RESOLVE THE SECOND OF THE TWO MAJOR DISADVANTAGES OF OPTION 1 FOR ALL IEA PRODUCERS, EXCEPT CANADA AND THE US. THIS FORMULATION WOULD NOT, HOWEVER, MEET THE OBJECTION OF THOSE DELEGATIONS OPPOSING OPTION 1 CONCERNING ITS DEVIATION FROM IEA SOLIDARITY.

FURTHER EXCEPTIONS FROM EITHER OF THE TWO BASIC OPTIONS WERE SUPPORTED BY SOME DELEGATIONS WHICH NOTED THAT THE MARCH 20 GOVERNING BOARD DECISION STATES THAT ONE OF THE OBJECTIVES OF THE OVERALL PROGRAM SHALL BE TO INCREASE ENERGY PRODUCTION AND INVESTMENT "IN THE IEA COUNTRIES AND OUTSIDE". THESE DELEGATIONS DESIRE THAT EXCEPTIONS UNDER THE DEFINITION OF IMPORTED OIL BE PROVIDED FOR OIL PRODUCED IN ANOTHER COUNTRY (ANY OTHER COUNTRY IN THE

CASE OF OPTION 1 AND ANY NON-IEA COUNTRY UNDER OPTION 2) RESULTING FROM INVESTMENT BY THE PARTICIPATING COUNTRY IN QUESTION AND/OR PRODUCED IN ANOTHER COUNTRY WITHIN THE FRAMEWORK OF A SPECIAL COOPERATION AGREEMENT OR ARRANGEMENT WITH THE PARTICIPATING COUNTRY IN QUESTION.

SOME DELEGATIONS WERE WILLING TO INCLUDE THE FURTHER EXCEPTIONS AS A MATTER OF PRINCIPLE, PROVIDED THAT THEIR APPLICATION WOULD BE SUBJECT TO GOVERNING BOARD APPROVAL ON A CASE BY CASE BASIS. THESE DELEGATIONS MAINTAINED THAT FAILURE TO REQUIRE SUCH GOVERNING BOARD REVIEW WOULD UNDERMINE THE INTEGRITY OF THE GENERAL COOPERATION MEASURE BOTH IN TERMS OF THE DEGREE OF ASSURANCE IT PROVIDES IEA INVESTORS AND, PERHAPS MORE IMPORTANTLY, IN TERMS OF THE ASSURANCES PROVIDED AMONG THE PARTICIPATING COUNTRIES THAT THERE IS AN EQUITABLE BALANCE OF COSTS AND BENEFITS.

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ONE OTHER DELEGATION OPPOSED SUCH REVIEW, HOLDING THAT INDUSTRIAL GOVERNMENTS ARE THE BEST JUDGE OF THE DEGREE OF SECURITY OF PARTICULAR SOURCES OF THEIR OIL.

GATT CONSIDERATIONS: THE SLT CONCLUDED THAT THE FORMULATION CHOSEN FOR THE DEFINITION OF IMPORTED OIL WILL HAVE A DIRECT EFFECT ON THE COMPATIBILITY BETWEEN THE OBLIGATIONS WHICH PARTICIPATING COUNTRIES WILL ASSUME UNDER THIS GENERAL MEASURE OF COOPERATION AND CERTAIN OF THEIR OTHER INTERNATIONAL OBJECTIONS. E.G. GATT. SEVERAL DELEGATIONS NOTED THE NEED TO AVOID CONFLICT BETWEEN THIS GENERAL MEASURE OF COOPERATION AND THE GATT. THE SLT DISCUSSED THIS QUESTION IN SOME DETAIL BUT AGREED THAT FURTHER TECHNICAL ANALYSIS WILL PROBABLY BE NECESSARY.

POSSIBLE GATT PROBLEMS APPEAR TO BE OF TWO TYPES:

(1) POTENTIAL CONFLICT WITH SPECIFIC GATT (AND OTHER TRADE OBLIGATIONS); AND (2) POTENTIAL INCOMPATIBILITY WITH GENERAL GATT OBLIGATIONS, IN PARTICULAR THAT OF MOST FAVORED NATION TREATMENT. AS NOTED ABOVE, THE DEGREE OF COMPLEXITY OF THE LATTER PROBLEM IS DIRECTLY RELATED TO THE DEFINITION CHOSEN FOR IMPORTED OIL. THUS, WHILE RECOGNIZING IN VARYING DEGREES THE NEED TO KEEP GATT AND OTHER INTERNATIONAL OBLIGATIONS IN MIND THE SLT CONSENSUS

WAS THAT BASIC DECISIONS SHOULD BE TAKEN ON THE NATURE OF THE OVERALL GENERAL COOPERATION MEASURE SYSTEM BEFORE PROCEEDING WITH A MORE DETAILED EXAMINATION OF THIS ISSUE. SOME DELEGATIONS NOTED THAT THE GATT IS ITSELF QUITE FLEXIBLE AND THAT WAYS COULD PROBABLY BE FOUND TO MAKE THE COMMITMENTS ENVISIONED UNDER THE MSP COMPATIBLE WITH IT REGARDLESS OF THE DEFINITION CHOSEN FOR IMPORTED OIL.

IN ANY CASE, IT WAS STRESSED BY SEVERAL DELEGATIONS THAT THE COMMITMENT TO AN MSP SHOULD BE ESTABLISHED SO AS TO ENSURE THAT IEA MEMBERS ARE NOT REQUIRED TO PROVIDE COMPENSATION, ETC. UNDER THE GATT IN ADVANCE OF WHATEVER ACTION THEY MIGHT LATER TAKE TO MAINTAIN THEIR COMMITMENT UNDER THE MSP. WHILE FURTHER ANALYSIS IS CLEARLY NECESSARY, IT WOULD APPEAR THAT THIS CONCERN CAN BE MET.

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PREPOSITIONING: THE GOVERNING BOARD WILL HAVE TO RESOLVE THE GENERAL QUESTION OF WHETHER, TO WHAT EXTENT, AND WHEN THE AGREEMENT ON A GENERAL MEASURE OF COOPERATION SHOULD REQUIRE THAT GOVERNMENTS DEMONSTRATE THAT THEY POSSESS THE NECESSARY LEGAL AUTHORIZATIONS AND ADMINISTRATIVE CAPABILITIES TO IMPOSE MECHANISMS TO MEET THEIR COMMITMENT TO A MSP. THE ANSWER TO THIS QUESTION IS A DETERMINANT OF THE REGIME FOR IMPLANTING MECHANISMS AND OF THE NATURE OF THE "READINESS REVIEW" PROVIDED FOR IN CHAPTER VI. AT THE SAME TIME, IT WILL INFLUENCE THE CONTENT OF CHAPTER VII (GENERAL PROVISIONS) ON SUCH ISSUES AS WHETHER THERE NEED BE PROVISION FOR PROVISIONAL ENTRY INTO FORCE UNTIL A CERTAIN NUMBER OF PARTICIPATING COUNTRIES VERIFY THAT THEY HAVE THE LEGISLATIVE AND ADMINISTRATIVE CAPABILITIES TO MAINTAIN A MSP.

AS THE RESOLUTION OF A NUMBER OF RELATED ISSUES DEPENDS ON THE FUNDAMENTAL QUESTION OF "PREPOSITIONING", THE SLT DECIDED TO PRESENT THEM IN THE FORM OF OPTIONS AS CLEARLY AND CONCISELY AS POSSIBLE. IT WAS AGREED THAT THE CHAIRMAN'S REPORT SHOULD SET FORTH THE PRINCIPAL ARGUMENTS IN FAVOR OF EACH AND DRAW THE GOVERNING BOARD'S ATTENTION TO THEIR INTER-RELATIONSHIPS.

REGIME FOR ADOPTION OF MECHANISMS TO MEET MSP COMMITMENT: ANNEX I CONTAINS THREE ALTERNATIVE FORMULATIONS ON THE QUESTION OF THE MANNER IN WHICH MECHANISMS TO MEET THE MSP COMMITMENT CAN BE CHOSEN:

(1) ANNEXING TO THE PROGRAM AN AGREED LIST OF MECHANISMS FROM WHICH COUNTRIES WOULD THEN CHOOSE ONE OR MORE (PROVISION COULD BE MADE FOR SUBSEQUENT REVISION OF THE LIST);

(2) LEAVING THE CHOICE OF MECHANISM UP TO THE PARTICIPATING COUNTRY WITH NO OBLIGATION TO INDICATE A CHOICE BEFORE THE PRICE OF IMPORTED OIL FELL BELOW THE MSP AND NO PREVIOUSLY AGREED LIST (ALTHOUGH AN ILLUSTRATIVE, NON-BINDING LIST COULD BE ANNEXED).

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(3) ADOPTION OF A PRE-AGREED COMMON MEASURE.

DETAILED STATEMENTS OF THE ARGUMENTS FOR AND AGAINST THE THREE ALTERNATIVES ARE CONTAINED IN IEA/WP (75) 16.

SOME DELEGATIONS ARGUED IN FAVOR OF THE THIRD OPTION ON THE GROUNDS THAT IT WOULD PROVIDE GREATER ENCOURAGEMENT TO IEA INVESTMENT, SINCE IEA-PRODUCED OIL COULD THEN BE SOLD AT OR BELOW THE MSP BEHIND AN IEA PROTECTIVE BARRIER (THIS OF COURSE PRESUPPOSES THAT IMPORTED OIL IS DEFINED AS OIL COMING FROM OUTSIDE THE IEA -- WITH POSSIBLE EXCEPTIONS AS NOTED ABOVE). THIS OVERALL FORMULATION WOULD PROVIDE A SORT OF IEA COMMUNITY PREFERENCE.

SOME DELEGATIONS SUPPORTED THE SECOND OPTION, ARGUING THAT IT WOULD PROVIDE MAXIMUM FLEXIBILITY, WOULD BE FULLY CONSISTENT WITH THE MARCH 20 GOVERNING BOARD DECISION ("MEASURES OF THEIR OWN CHOICE"), WOULD NOT REQUIRE GOVERNMENTS TO REQUEST NEW AUTHORITY FROM PARLIAMENTS UNTIL AND UNLESS THE NECESSITY AROSE, AND MIGHT AMELIORATE ANY POSSIBLE GATT PROBLEMS, AT LEAST UNTIL THE PRICE OF IMPORTED OIL ACTUALLY FELL BELOW THE MSP.

SEVERAL DELEGATIONS SUPPORTED OPTION 1 ON THE GROUNDS THAT IT WOULD PROVIDE A LARGE MEASURE OF FLEXIBILITY YET WOULD ALSO GIVE ADEQUATE ASSURANCE TO IEA INVESTORS AND OTHER PARTICIPATING COUNTRIES THAT THE MECHANISM ACTUALLY EMPLOYED BY A GIVEN COUNTRY WOULD BE EFFECTIVE IN MAINTAINING THE MSP COMMITMENT AND WOULD NOT HAVE ADVERSE SIDE EFFECTS ON ECONOMIC RELATIONS AMONG PARTICIPATING COUNTRIES, INCLUDING TRADE, COMPETITION, ETC.

WORKING LIST OF POSSIBLE MECHANISMS EXAMINED BY SLT: THE SECRETARIAT HAS PREPARED A WORKING PAPER DESCRIBING THE MAJOR FEATURES AND POSSIBLE ADVANTAGES AND DISADVANTAGES OF MECHANISMS WHICH MIGHT POSSIBLY BE USED TO IMPLEMENT A COMMITMENT TO AN MSP. THERE IS NO SLT CONSENSUS ON WHICH AMONG THESE WOULD BE APPROPRIATE FOR ISE. SLT DELEGATIONS ARE SUBMITTING COMMENTS ON THIS WORKING PAPER DIRECTLY TO THE SECRETARIAT AND IT WILL BE SUBMITTED PROMPTLY TO THE GOVERNING BOARD. CARE SHOULD BE TAKEN,  
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HOWEVER, TO AVOID CONFUSING THIS COMPILATION OF MEASURES WITH THE LISTS MENTIONED IN THE THREE OPTIONS WITH RESPECT TO IMPLEMENTING MECHANISMS.

MAINTENANCE OF INTENDED EFFECT OF THE MSP: CONSIDERABLE DISCUSSION CENTERED ON THE MEANS TO MAINTAIN THE INTENDED LEVEL OF THE PRICE ESTABLISHED IN CHAPTER III, B OVER THE LIFETIME OF THE AGREEMENT. A NUMBER OF DELEGATIONS POINTED OUT THAT MATERIAL AND EQUIPMENT PRICE INCREASES COMBINED WITH HIGHER WAGES COULD REDUCE THE EFFECTIVENESS

OF THE MSP IN INSURING THAT INVESTMENT AND OUTPUT ARE MAINTAINED CONSISTENT WITH THE INTENTIONS OF THE AGREEMENT. ON THE OTHER HAND, TECHNOLOGICAL IMPROVEMENTS COULD LEAD TO DECREASES IN SOME PRODUCTION COSTS.

IT WAS AGREED THAT IT WAS NOT APPROPRIATE TO MAINTAIN THE EFFECT OF THE MSP THROUGH THE USE OF ANYTHING AS SIMPLE AS AN "INFLATION INDEX," BECAUSE THE FACTORS AFFECTING ALTERNATIVE ENERGY COSTS ARE SO COMPLEX, AND BECAUSE OF POSSIBLE IMPLICATIONS FOR OPEC DECISIONS. MOST DELEGATIONS REJECTED APPROACHES WHICH PROMISED AUTOMATIC CHANGES IN THE LEVEL OF THE PRICE BASED ON SPECIFIC CRITERIA. A FEW DELEGATIONS OPPOSED ANY PROCEDURE GUARANTEEING REVIEWS OF THIS LEVEL. MANY DELEGATIONS, HOWEVER, SUGGESTED REVIEWS AT FIXED INTERVALS OR AT THE REQUEST OF A PARTICIPATING COUNTRY.

QUESTIONS RELATED TO THIS REVIEW THAT WERE NOT RESOLVED BY THE SLT ARE:

-- WHETHER OR NOT REVIEWS OF THIS LEVEL SHOULD BE CONDUCTED PERIODICALLY AND, IF SO, HOW OFTEN.

-- WHETHER OR NOT SOME GENERAL CRITERIA SHOULD BE ESTABLISHED.

-- THE PROCEDURES FOR CONDUCTING THE REVIEW, FOR WHICH A TECHNICAL WORKING GROUP IS RECOMMENDED.

CHAPTER IV - RESEARCH AND DEVELOPMENT: THE PROGRAM OF LONG-TERM COOPERATION SHOULD INCLUDE A CHAPTER ON RESEARCH LIMITED OFFICIAL USE  
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AND DEVELOPMENT. THAT SECTION WILL BE DRAFTED WHEN THE SLT HAS AVAILABLE THE WORK NOW UNDERWAY IN THE R&D SUB-GROUP ON A SET OF GUIDING PRINCIPLES FOR R&D AND DELEGATIONS HAVE BEEN ABLE TO CONSULT WITH THEIR R&D EXPERTS.

CHAPTER V - LEGISLATIVE AND ADMINISTRATIVE OBSTACLES AND DISCRIMINATORY PRACTICES: THIS CHAPTER CONCERNS ONE OF THE MOST DIFFICULT ISSUES ADDRESSED BY THE SLT. THOUGH THE IMPLICATIONS OF THE CHAPTER ARE SOMEWHAT BROADER, IN THE VIEW OF SEVERAL DELEGATIONS THE HEART OF THE MATTER IS THE EXTENT TO WHICH PARTICIPATING COUNTRIES WITH SIGNIFICANT POTENTIAL FOR INCREASED ENERGY PRODUCTION FIND IT APPRO-

PRIATE TO COMMIT THEMSELVES A) TO THE REMOVAL OF LEGAL AND ADMINISTRATIVE OBSTACLES TO SUCH PRODUCTION, AND B) TO THE REMOVAL OF ANY DISCRIMINATORY PRACTICES WHICH MAY EXIST (BETWEEN THEIR OWN NATIONALS AND THOSE OF OTHER PCS) WITH RESPECT TO ENERGY-RELATED INVESTMENTS AND SALES AND ACCESS TO TECHNOLOGY. NOTWITHSTANDING THE BRACKTING OF SOME KEY ALTERNATIVE PHRASES IN ANNEX IWN WHICH BEAR HEAVILY ON THE

NATURE OF THE COMMITMENT WHICH MIGHT BE UNDERTAKEN, SEVERAL DELEGATIONS TO THE SLT EXPLICITLY RESERVED THEIR POSITIONS ON THE ENTIRE CHAPTER.

SOME DELEGATIONS WERE DEEPLY CONCERNED WITH THE CHAPTER'S POSSIBLE IMPLICATIONS IN LIGHT OF THEIR CONSTITUTIONAL AND POLITICAL SITUATIONS; IN THIS RESPECT SOME CITED THE PRE-ROGATIVES OF THEIR PARLIAMENTS OR PROVINCES IN DEVELOPING POLICIES WITH RESPECT TO THE MATTERS IN QUESTION. THE VIEW WAS ALSO EXPRESSED BY SEVERAL DELEGATIONS THAT THE AGREEMENT MUST NOT BE DRAFTED OR INTERPRETED IN A WAY WHICH WOULD PRECLUDE A PARTICIPATING COUNTRY, O LONG AS IT IS NOT APPLYING A POLICY OF DISCRIMINATION AGAINST OTHER PCS, FROM EXERCISING NATIONAL RIGHTS AND CONTROLS OVER ACCESS TO NATURAL RESOURCES, THEIR RATE OF EXPLORATION AND EXPLOITATION, AND THE MANNER IN WHICH SUCH ACTIVITIES ARE UNDERTAKEN.

OME OTHER DELEGATIONS INDICATED IN EQUALLY STRONG TERMS THAT THEY CONSIDERED A FIRM COMMITMENT ON THE SUBJECT MATTER OF THIS CHAPTER TO BE AN ESSENTIAL ELEMENT IN THE LIMITED OFFICIAL USE  
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OVERALL BALANCE OF THE LONG TERM PROGRAM IN VIEW OF THEIR OWN LIMITED POTENTIAL FOR THE DEVELOPMENT OF ALTERNATE SOURCES OF ENERGY. WHILE RECOGNIZING THE NEED FOR BALANCE AMONG ALL THE ELEMENTS OF THE PROGRAM, SOME OF THESE DELEGATIONS CONSIDERED THAT IN THIS RESPECT CHAPTER V IS THE ELEMENT MOST DIRECTLY RELATED TO THE "MINIMUM SAFEGUARD PRICE" SYSTEM. THEY ARGUE THAT IF THEY ARE TO CONTRIBUTE TO THE DEVELOPMENT OF NEW ENERGY SUPPLIES IN OTHER IEA COUNTRIES BY FOREGOING THE RIGHT TO SELL IMPORTED OIL WITHIN THEIR ECONOMIES BELOW THE LEVEL OF THE MSP THEY MUST BE ASSURED (1) THAT SUCH ENERGY WILL ACTUALLY BE PRODUCED; AND (2) THAT IT WILL BE AVAILABLE ON A NON-DISCRIMINATORY BASIS IN TERMS OF BOTH ACCESS AND PRICE. MEASUREMENT OF COSTS AND BENEFITS IN THIS AREA IS OF COURSE DIRECTLY RELATED TO THE LEVEL OF THE MSP.

ONE DELEGATION POINTED OUT THAT THE ADVANTAGE ACCRUING TO ITS COUNTRY FROM EVEN A STRONG COMMITMENT IN THIS CHAPTER WOULD BE MINIMAL BECAUSE OF THE ABSENCE OF PRACTICAL OPPORTUNITIES FOR SUBSTANTIAL INVESTMENTS IN OR PURCHASES OF

ENERGY FROM OTHER IEA MEMBERS. ON DELEGATION THOUGHT THAT THE CHAPTER WAS TOO NARROW IN CONCEPT; IT SHOULD APPLY MORE CLEARLY TO A BROADER RANGE OF OBSTACLES AND DISCRIMINATORY PRACTICES, INCLUDING THOSE RELATING TO AVAILABILITY OF FINANCE, WHICH MIGHT INHIBIT THE DEVELOPMENT OF SPECIFIC PROJECTS IN CERTAIN IEA MEMBER COUNTRIES.

THERE ARE A NUMBER OF MORE SPECIFIC POINTS TO BE MADE WITH RESPECT TO THE TEXT OF CHAPTER V. THE UNDERTAKING TO INFORM THE AGENCY BEFORE INTRODUCING NEW LEGISLATIVE OR ADMINISTRATIVE OBSTACLES CONTAINED IN PARAGRAPH A WAS CONSIDERED BY SOME DELEGATIONS AS NECESSARY TO ENSURE THAT THE OBLIGATIONS SET FORTH IN THE PARAGRAPH WOULD BE MEANINGFUL. OTHER DELEGATIONS QUESTIONED THE POLITICAL ACCEPTABILITY OF SUCH A PROCEDURE, WHILE OTHERS DID NOT OBJECT TO IT IN PRINCIPLE BUT DOUBTED THAT IT WOULD BE PRACTICAL IN VIEW OF THE MASSIVE ADMINISTRATIVE BURDEN IT MIGHT ENTAIL AND THE VAGUENESS OF THE OBLIGATION.

BRACKETED LANGUAGE IN THE FOURTH SUBPARAGRAPH OF PARAGRAPH B REFLECTS A DIFFERENCE OF VIEW OVER WHETHER THERE SHOULD LIMITED OFFICIAL USE  
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BE A COMMITMENT TO ENSURE A) FREE TRADE IN ENERGY RELATED EQUIPMENT, AND B) ALLOCATION OF INVESTMENT IN TRANSPORTATION FACILITIES AND INFRASTRUCTURE IN A WAY THAT WOULD HELP PERMIT DIVERSIFICATION OF SUPPLY FOR OTHER PCS. SOME DELEGATIONS CONSIDER OBLIGATIONS OF THIS NATURE WOULD BE OF IMPORTANCE TO THEIR COUNTRIES IN REALIZING IN A PRACTICAL WAY THE BENEFITS OF THE CHAPTER AS A WHOLE. OTHER DELEGATIONS BELIEVE THE BRACKETED LANGUAGE ADDRESSES CONCERNS WHICH ARE TOO SPECIFIC TO BE INCLUDED OR WOULD REQUIRE AN ANALYSIS IN DEPTH LEADING TO A HEAVY ADDITIONAL GLOSS ON THE AGREEMENT.

CHAPTER VI - REVIEW PROCEDURES: THERE WAS GENERAL AGREEMENT ON THE DESIRABILITY OF AN ANNUAL OVERALL REVIEW OF PCS EFFORTS AND THEIR RESULTS UNDER THE LONG TERM PROGRAM BECAUSE A) THE PROGRAM IS DYNAMIC AND SUCH REVIEWS CAN HELP SHAPE ITS EVOLUTION, AND B) THE PROGRAM IS INTENDED TO BE BALANCED IN THE RELATIONSHIP OF ITS PARTS AS WELL AS IN THE DEGREE OF EFFORT IT SHOULD CALL FORTH FROM EACH PR FOR THE IEA'S COMMON OBJECTIVES, AND A REVIEW CAN ENCOURAGE THE MAINTENANCE OF THAT BALANCE. THE OVERALL REVIEW IS NOT INTENDED TO DUPLICATE THE SPECIFIC REVIEWS RELATED TO INDIVIDUAL CHAPTERS, BUT RATHER TO PROVIDE A FRAMEWORK IN WHICH THE RESULTS OF THOSE REVIEWS CAN BE BROUGHT TOGETHER IN A BROADER PERSPECTIVE AND IN LIGHT OF BROADER CONSIDERATIONS.

THE SECOND PARAGRAPH OF CHAPTER VI PROVIDES A SPECIFIC

EXAMPLE OF THE KIND OF PERSPECTIVE ENVISAGED BY THE SLT. THERE WAS GENERAL AGREEMENT THAT CONSERVATION AND ACCELERATED DEVELOPMENT EFFORTS SHOULD BE CONSIDERED IN RELATION TO EACH OTHER. FOR EXAMPLE, COUNTRIES WHICH HAVE LITTLE POTENTIAL FOR THE PRODUCTION OF ENERGY COULD BY MEANS OF EFFECTIVE CONSERVATION MEASURES MAKE A CONTRIBUTION TO THE GOAL OF REDUCED DEPENDENCE ON IMPORTED OIL COMPARABLE TO THAT OF COUNTRIES WITH A SIGNIFICANT POTENTIAL FOR ACCELERATING SUCH PRODUCTION.

CONSULTATIONS: IT IS OBVIOUSLY NOT POSSIBLE TO FORESEE ALL THE CONSEQUENCES WHICH PARTICIPATING COUNTRIES' ACTIONS OR POLICIES PURSUANT TO THE LONG-TERM PROGRAM LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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MAY HAVE FOR OTHER PARTICIPATING COUNTRIES. THE CONSULTATION PROCEDURE IS INTENDED TO PERMIT A PARTICIPATING COUNTRY WHICH BELIEVES ITS INTERESTS ARE BEING AFFECTED IN A SIGNIFICANT WAY BY SUCH ACTIONS OR POLICIES TO RAISE THE MATTER IN AN APPROPRIATE FORUM.

THE "READINESS" AND "IMPLEMENTATION" REVIEWS REFER TO THE GENERAL MEASURE OF COOPERATION SET OUT IN CHAPTER III B. AS THE FOOTNOTE TO THE "READINESS REVIEW" PARAGRAPH INDICATES, THE NATURE OF THE REVIEW TO BE CONDUCTED, AND THE DISPOSITION OF BRACKETED PHRASES, DEPEND ON THE DECISION TAKEN AS TO WHETHER OR NOT, AND AT WHAT TIME, (A) THE PARTICIPATING COUNTRIES AS A GROUP SHOULD SPECIFY WHICH MEASURES ARE MUTUALLY ACCEPTABLE TO IMPLEMENT THE MSP SYSTEM, AND (B) THERE SHOULD BE A REQUIREMENT FOR A "PREPOSITIONING" OF MEASURES OR AUTHORITY TO APPLY THEM.

THE BRACKETED WORDS IN THE "IMPLEMENTATION" PARAGRAPH REFLECT THE SAME PROBLEM DESCRIBED IN RELATION TO THE "READINESS" REVIEW. THE FOOTNOTE TO THIS PARAGRAPH CALLS ATTENTION TO A PROBLEM OF A DIFFERENT NATURE, I.E. THE NEED TO ELABORATE TECHNICAL CRITERIA FOR DETERMINING PRECISELY WHEN THE PRICE OF IMPORTED OIL HAS FALLEN BELOW THE LEVEL AT WHICH THE MSP COMMITMENT BECOMES OPERATIVE. THIS, OF COURSE, IS CLOSELY RELATED TO TERMS CHOSEN TO STATE THE BASIC COMMITMENT, AND THE INTERPRETATION GIVEN TO THEM.

CHAPTER VII - GENERAL PROVISIONS: CERTAIN PROVISIONS, SUCH AS THOSE REGARDING THE TIMING AND PROCEDURE FOR ENTRY INTO FORCE OF THE PROGRAM FOR LONG-TERM COOPERATION, VOTING, ETC. INVOLVE POLITICAL DECISIONS ON BOTH THE SUBSTANCE AND FORM OF THE AGREEMENT. THEREFORE, DRAFTING OF THE SECTION OF GENERAL PROVISIONS HAS BEEN DEFERRED UNTIL AFTER THE GOVERNING BOARD HAS DISCUSSED THE PROGRAM OF LONG-TERM COOPERATION AND ITS IMPLEMENTATION.



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